



## Introduction

RECENT STUDIES SUGGEST THAT THE CHARITABLE SECTOR WILL BE INCREASINGLY drawn into an all-out “war for talent” with the government and business sectors.<sup>1</sup>

As the Baby Boomers retire from their leadership positions over the coming decades and the labor market grows ever tighter, how will the nonprofit sector attract the most committed and talented leaders? What would draw Generation Xers and Generation Yers to positions that typically offer long hours for short pay?

WE DECIDED TO ASK THEM.

THIS PAST SEPTEMBER WE CONDUCTED THE LARGEST NATIONAL SURVEY TO DATE of emerging nonprofit leaders. We asked close to 6,000 people across the country about the disadvantages and benefits of heading a nonprofit organization. Did these mostly younger respondents aspire to become executive directors one day? If they didn’t, what might change their minds? What drew them to charitable work in the first place?

What we learned was sobering. War for talent or no, those who care about the health of the charitable sector—those who believe, as we do, that strong nonprofit leaders are the best predictors of organizational success—can draw both warning and inspiration from the results of this survey.

In 2006 the Meyer Foundation, working in partnership with CompassPoint Nonprofit Services, released a report showing that three out of four executive directors planned to leave their jobs within the next five years.<sup>2</sup> These leaders cited a lack of adequate compensation, burnout, and overwhelming fundraising responsibilities as reasons for their departure. The survey and focus groups for this follow-up study show that emerging leaders are acutely aware of these challenges. They see the executive directors of their own organizations struggle, and often fail, to maintain a healthy work-life balance. Not surprisingly, many next generation leaders wonder how they would fare as heads of their own organizations.

Money issues loom large for many of these would-be leaders. Close to two-thirds of our survey respondents report having financial qualms about committing to nonprofit careers. Topping the list of their concerns is the fear of not being able to retire properly. Indeed, data from *Daring to Lead 2006* indicate that fewer than half of all nonprofit organizations make some kind of contribution to staff retirement accounts.<sup>3</sup> And it’s not just the specter of a difficult retirement that gives pause to our survey respondents. The need to support families and the desire to purchase a home are also high on their list of concerns. Over two-thirds (69 percent) feel they are underpaid for the work they currently do. Focus group participants discussed having to forego luxuries their friends could easily afford. Some described how they had to take on second jobs to supplement their nonprofit salaries.

A lack of support and mentorship from incumbent executives add to the frustrations of these next generation leaders. It should be noted that while for-profit companies fill 60 to 65 percent of their senior management positions by hiring from within, nonprofits, by contrast, tend to look for executive talent outside their ranks.<sup>4</sup> Recent data indicate that fewer than a third of nonprofit chief executives are internal hires.<sup>5</sup> With no clear career paths inside their own organizations, talented nonprofit staff members must work harder to develop the skills and networks they will ultimately need to lead their own shops.

While these various disincentives to nonprofit leadership limit the supply of new executive directors, demographic trends add their own pressures. According to one report, the number of 35- to 44-year-olds in the United States will decline between 2000 and 2015 even as the

1 Thomas J. Tierney, *The Nonprofit Sector’s Leadership Deficit* (The Bridgespan Group, 2006); Elizabeth Chambers et al., “The War for Talent,” *The McKinsey Quarterly*, 3 (1998): 44-57.

2 Jeanne Bell, Richard Moyers, and Timothy Wolfred, *Daring to Lead 2006: A National Study of Nonprofit Leadership* (CompassPoint, 2006).

3 *Ibid.*, p. 18.

4 Tierney, *op. cit.*, p. 16.

5 Bell, Moyers, and Wolfred, *op. cit.*, p. 26.

demand for new executives continues to grow.<sup>6</sup> A report by The Bridgespan Group, for example, indicates that by 2016 the nonprofit sector will need 80,000 new senior managers each year, 40 percent more each year than is currently required.<sup>7</sup> Demand pressures and a constrained supply will challenge nonprofit boards of directors and recruiters who must compete against government and business for talented leaders. The latter are often better bankrolled and can offer employment incentives that charitable organizations find difficult to match. This potent combination of demographic, economic, and cultural forces will likely affect the charitable sector for decades to come.

And yet, despite the disincentives to becoming a nonprofit executive director, our survey revealed a significant number of younger people who are willing, if not yet quite ready, to lead. This cohort is well educated, talented, and committed. We heard from many who could not see themselves doing any other kind of work, all the barriers and high expectations notwithstanding. Their commitment to their charitable missions, their previous negative experience of for-profit work, and other factors led them to pursue careers in the nonprofit sector.

The genius of this sector—what continues to attract so many to nonprofit careers despite the potential disadvantages—is its promise of meaningful work leading to social change. The challenge for those of us who care about the future of this work is to deliver on that promise. We can do so by lowering the barriers to nonprofit leadership and by expanding and nurturing the cohort of would-be executive directors. Chapter 3 of this report outlines steps that current executive directors, next generation leaders, boards of directors, nonprofit training and leadership capacity builders, and funders can take to increase and support the ranks of those who are willing and able to lead.

It might be, as some have argued,<sup>8</sup> that the market will, over time, adjust to any perceived shortage of nonprofit talent. With more openings in the leadership ranks, more young people will look to careers in the sector, and seasoned leaders will stay in their jobs longer. Some who have already retired will be tempted to return to work. Sector leaders will respond by creating new training programs and new incentives for charitable work. No doubt some or all of this will be true. Assuming, however, that the “buyers” in this talent market look a lot like the 6,000 respondents to our survey, we have a lot of work to do to make our “product”—the leadership of a nonprofit organization—more attractive than it currently is. Overwhelming fundraising responsibilities, long hours, sub-par pay rates, and meager consideration for retirement are not what will attract bright and talented people to nonprofit careers, however mission-driven they might be. We heard from a number of focus group participants about their desire to do good in whatever sector they found themselves. This sector agnosticism—a growing trend, in our view—works against the notion that the nonprofit sector will always have the upper hand in attracting those who are most strongly committed to advancing the public good.

The survey results described in this report tell us a lot about ourselves, and not all of it is flattering. The wisdom on the streets—confirmed to some degree by this study—is that we tend to undervalue nonprofit work and the people who do it. Even those of us who should know better sometimes fall prey to the notion that important charitable work can and should happen at a discount. This same idea animates the view that professionals who toil at nonprofits ought to work longer hours and for less pay than their for-profit counterparts. Where does this idea come from? Perhaps we’ve all heard too many charitable organizations promise that 100 percent of our donated dollars will support those who are most in need. Our desire to cut out the middle men—those who actually feed the hungry, house the homeless, and heal the sick—might also be rooted in the notion that acts of giving ought to be kept “pure.” The archetype of the charitable act includes a generous donor and a grateful supplicant. It leaves little room for the people who do the very hard work of delivering nonprofit services.

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<sup>6</sup> Chambers, et al., op. cit.

<sup>7</sup> Tierney, op. cit., p. 13.

<sup>8</sup> See *The Nonprofit Sector's Leadership Deficit: Commentaries* (The Bridgespan Group, 2006) for examples of this line of argument.

WE UNDERVALUE THESE PEOPLE AT OUR PERIL.

NONPROFIT EXECUTIVE DIRECTORS ARE BURNING OUT AND LEAVING THE SECTOR IN alarming numbers. Meanwhile, emerging leaders are thinking twice about stepping into the breach. This is a great shame when we consider the extraordinary vision and values that drew these talented people into our sector in the first place.

## Key Findings

### **This research suggests indicators of strength in the nonprofit leadership pipeline:**

- One in three (32%) respondents aspires to be an executive director someday
- A higher percentage of respondents who definitely aspire to become executive directors are people of color
- Of respondents who do aspire to become executive directors, 40% reported that they are ready either now or will be within five years
- The pipeline consists of many highly educated and committed individuals who are gaining the skills and experiences necessary to successfully lead nonprofit organizations
- The nonprofit sector is viewed as a desirable place to work and to seek future employment by people interested in social change
- Most respondents working in the nonprofit sector feel that they have meaningful and satisfying work

### **Despite these grounds for hope, there are substantial barriers:**

- The long hours and compromised personal lives associated with executive leadership are significant deterrents to pursuing top positions
- Nonprofit salaries and actual or perceived insufficient life-long earning potential are barriers to executive leadership: 69% of respondents feel underpaid in their current positions and 64% reported that they have financial concerns about committing to a career in the nonprofit sector
- Lack of mentorship and support from incumbent executives in helping to pave a career path are serious frustrations for many next generation leaders: only 4% of respondents are explicitly being developed to become their organization's executive director. Women are being developed at a lower rate than men
- Inherent nonprofit structural limitations and obscure avenues to career advancement are obstacles to leadership opportunities inside organizations
- The prevailing executive director job description is unappealing to many next generation leaders